



General Assembly

Substitute Bill No. 6906

January Session, 2005

* _____ HB06906APP _____ 051605 _____ *

AN ACT CONCERNING ENERGY INDEPENDENCE.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (a) of section 16-1 of the general statutes is
2 amended by adding subdivision (46) as follows (*Effective from passage*):

3 (NEW) (46) "Class III renewable energy source" means the energy
4 savings from waste heat utilization of combined heat and power
5 systems or waste heat recovery systems as metered and converted to
6 kilowatt hours when operated in conjunction with customer-side
7 distributed generation developed pursuant to this section or the
8 electricity savings from conservation and load management programs
9 begun on and after the effective date of this section.

10 Sec. 2. Subdivision (40) of subsection (a) of section 16-1 of the
11 general statutes is repealed and the following is substituted in lieu
12 thereof (*Effective from passage*):

13 (40) ["Distributed"] "Customer-side distributed generation" means
14 the generation of electricity from a unit on the premises of [an] a retail
15 end user within the [transmission and] distribution system including,
16 but not limited to, fuel cells, photovoltaic systems or small wind
17 turbines or peak shaving systems.

18 Sec. 3. Subsection (a) of section 16-1 of the general statutes is

19 amended by adding subdivisions (42) to (44), inclusive, as follows
20 (*Effective from passage*):

21 (NEW) (42) "Combined heat and power system" means a system
22 that sequentially produces, from a single source, both electric power
23 and useful thermal energy used in any heating or cooling application;

24 (NEW) (43) "Grid-side distributed generation" means the generation
25 of electricity from a unit with a name plate capacity of not more than
26 forty megawatts that is connected to the transmission or distribution
27 system;

28 (NEW) (44) "Waste heat recovery system" means a system that
29 produces electric power or useful thermal energy used in any heating
30 or cooling application by capturing existing waste heat streams from
31 certain industrial or commercial processes.

32 Sec. 4. Subsection (d) of section 16-19ss of the general statutes is
33 repealed and the following is substituted in lieu thereof (*Effective from*
34 *passage*):

35 (d) Nothing in this section shall be construed to allow an electric
36 distribution company to own, operate, lease or control any facility or
37 asset that generates electricity, or retain any interest in such facility or
38 asset as part of any transaction concluded pursuant to this section,
39 except as provided in subsection (e) of section 16-244e, as amended by
40 this act.

41 Sec. 5. Subdivision (6) of subsection (e) of section 16-244e of the
42 general statutes is repealed and the following is substituted in lieu
43 thereof (*Effective from passage*):

44 (6) Once unbundling is completed to the satisfaction of the
45 department and consistent with the provisions of section 16-244, (A)
46 any corporate affiliate or separate division that provides electric
47 generation services as a result of unbundling pursuant to this
48 subsection shall be considered a generation entity or affiliate of the

49 electric company, and the division or corporate affiliate of the electric
50 company that provides transmission and distribution services shall be
51 considered an electric distribution company, and (B) an electric
52 distribution company shall not own or operate generation assets,
53 except that an electric distribution company may own or operate
54 distributed generation pursuant to section 14 of this act.

55 Sec. 6. Subsection (a) of section 16-245l of the general statutes is
56 repealed and the following is substituted in lieu thereof (*Effective from*
57 *passage*):

58 (a) The Department of Public Utility Control shall establish and each
59 electric distribution company shall collect a systems benefits charge to
60 be imposed against all end use customers of each electric distribution
61 company beginning January 1, 2000. The department shall hold a
62 hearing that shall be conducted as a contested case in accordance with
63 chapter 54 to establish the amount of the systems benefits charge. The
64 department may revise the systems benefits charge or any element of
65 said charge as the need arises. The systems benefits charge shall be
66 used to fund (1) the expenses of the public education outreach
67 program developed under subsections (a), (f) and (g) of section 16-
68 244d other than expenses for department staff, (2) the reasonable and
69 proper expenses of the education outreach consultant pursuant to
70 subsection (d) of section 16-244d, (3) the cost of hardship protection
71 measures under sections 16-262c and 16-262d and other hardship
72 protections, including but not limited to, electric service bill payment
73 programs, funding and technical support for energy assistance, fuel
74 bank and weatherization programs and weatherization services, (4) the
75 payment program to offset tax losses described in section 12-94d, (5)
76 any sums paid to a resource recovery authority pursuant to subsection
77 (b) of section 16-243e, (6) low income conservation programs approved
78 by the Department of Public Utility Control, (7) displaced worker
79 protection costs, (8) unfunded storage and disposal costs for spent
80 nuclear fuel generated before January 1, 2000, approved by the
81 appropriate regulatory agencies, (9) postretirement safe shutdown and
82 site protection costs that are incurred in preparation for

83 decommissioning, (10) decommissioning fund contributions, (11) the
84 costs of temporary electric generation facilities incurred pursuant to
85 section 16-19ss, (12) operating expenses for the Connecticut Energy
86 Advisory Board, [and] (13) legal, appraisal and purchase costs of a
87 conservation or land use restriction and other related costs as the
88 department in its discretion deems appropriate, incurred by a
89 municipality on or before January 1, 2000, to ensure the environmental,
90 recreational and scenic preservation of any reservoir located within
91 this state created by a pump storage hydroelectric generating facility,
92 and (14) the cost of retaining a consultant pursuant to sections 11, 14
93 and 16 of this act. As used in this subsection, "displaced worker
94 protection costs" means the reasonable costs incurred, prior to January
95 1, 2008, (A) by an electric supplier, exempt wholesale generator,
96 electric company, an operator of a nuclear power generating facility in
97 this state or a generation entity or affiliate arising from the dislocation
98 of any employee other than an officer, provided such dislocation is a
99 result of (i) restructuring of the electric generation market and such
100 dislocation occurs on or after July 1, 1998, or (ii) the closing of a Title IV
101 source or an exempt wholesale generator, as defined in 15 USC 79z-5a,
102 on or after January 1, 2004, as a result of such source's failure to meet
103 requirements imposed as a result of sections 22a-197 and 22a-198 and
104 this section or those Regulations of Connecticut State Agencies
105 adopted by the Department of Environmental Protection, as amended
106 from time to time, in accordance with Executive Order Number 19,
107 issued on May 17, 2000, and provided further such costs result from
108 either the execution of agreements reached through collective
109 bargaining for union employees or from the company's or entity's or
110 affiliate's programs and policies for nonunion employees, and (B) by
111 an electric distribution company or an exempt wholesale generator
112 arising from the retraining of a former employee of an unaffiliated
113 exempt wholesale generator, which employee was involuntary
114 dislocated on or after January 1, 2004, from such wholesale generator,
115 except for cause. "Displaced worker protection costs" includes costs
116 incurred or projected for severance, retraining, early retirement,
117 outplacement, coverage for surviving spouse insurance benefits and

118 related expenses. "Displaced worker protection costs" does not include
119 those costs included in determining a tax credit pursuant to section 12-
120 217bb.

121 Sec. 7. Section 16-245m of the general statutes is repealed and the
122 following is substituted in lieu thereof (*Effective from passage*):

123 (a) On and after January 1, 2000, the Department of Public Utility
124 Control shall assess or cause to be assessed a charge of three mills per
125 kilowatt hour of electricity sold to each end use customer of an electric
126 distribution company to be used to implement the program as
127 provided in this section for conservation and load management
128 programs but not for the amortization of costs incurred prior to July 1,
129 1997, for such conservation and load management programs. On and
130 after the effective date of this section, any legislation that directs or
131 expends the moneys in the fund established in subsection (b) of this
132 section for purposes other than those specified in this section shall be
133 void. Notwithstanding the provisions of this section, receipts from
134 such charge shall be disbursed to the resources of the General Fund
135 during the period from July 1, 2003, to June 30, 2005, unless the
136 department shall, on or before October 30, 2003, issue a financing order
137 for each affected distribution company in accordance with sections 16-
138 245e to 16-245k, inclusive, to sustain funding of conservation and load
139 management programs by substituting an equivalent amount, as
140 determined by the department in such financing order, of proceeds of
141 rate reduction bonds for disbursement to the resources of the General
142 Fund during the period from July 1, 2003, to June 30, 2005. The
143 department may authorize in such financing order the issuance of rate
144 reduction bonds that substitute for disbursement to the General Fund
145 for receipts of both the charge under this subsection and under
146 subsection (b) of section 16-245n, as amended by this act, and also may,
147 in its discretion, authorize the issuance of rate reduction bonds under
148 this subsection and subsection (b) of section 16-245n, as amended by
149 this act, that relate to more than one electric distribution company. The
150 department shall, in such financing order or other appropriate order,
151 offset any increase in the competitive transition assessment necessary

152 to pay principal, premium, if any, interest and expenses of the issuance
153 of such rate reduction bonds by making an equivalent reduction to the
154 charge imposed under this subsection, provided any failure to offset
155 all or any portion of such increase in the competitive transition
156 assessment shall not affect the need to implement the full amount of
157 such increase as required by this subsection and by sections 16-245e to
158 16-245k, inclusive. Such financing order shall also provide if the rate
159 reduction bonds are not issued, any unrecovered funds expended and
160 committed by the electric distribution companies for conservation and
161 load management programs, provided such expenditures were
162 approved by the department after August 20, 2003, and prior to the
163 date of determination that the rate reduction bonds cannot be issued,
164 shall be recovered by the companies from their respective competitive
165 transition assessment or systems benefits charge but such expenditures
166 shall not exceed four million dollars per month. All receipts from the
167 remaining charge imposed under this subsection, after reduction of
168 such charge to offset the increase in the competitive transition
169 assessment as provided in this subsection, shall be disbursed to the
170 Energy Conservation and Load Management Fund commencing as of
171 July 1, 2003. Any increase in the competitive transition assessment or
172 decrease in the conservation and load management component of an
173 electric distribution company's rates resulting from the issuance of or
174 obligations under rate reduction bonds shall be included as rate
175 adjustments on customer bills.

176 (b) The electric distribution company shall establish an Energy
177 Conservation and Load Management Fund which shall be held
178 separate and apart from all other funds or accounts. Receipts from the
179 charge imposed under subsection (a) of this section shall be deposited
180 into the fund. Any balance remaining in the fund at the end of any
181 fiscal year shall be carried forward in the fiscal year next succeeding.
182 Disbursements from the fund by electric distribution companies to
183 carry out the plan developed under subsection (d) of this section shall
184 be authorized by the Department of Public Utility Control upon its
185 approval of such plan.

186 (c) The Department of Public Utility Control shall appoint and
187 convene an Energy Conservation Management Board which shall
188 include representatives of: (1) An environmental group knowledgeable
189 in energy conservation program collaboratives; (2) the Office of
190 Consumer Counsel; (3) the Attorney General; (4) the Department of
191 Environmental Protection; (5) the electric distribution companies in
192 whose territories the activities take place for such programs; (6) a state-
193 wide manufacturing association; (7) a chamber of commerce; (8) a
194 state-wide business association; (9) a state-wide retail organization;
195 and (10) residential customers. Such members shall serve for a period
196 of five years and may be reappointed.

197 (d) (1) The Energy Conservation Management Board shall advise
198 and assist the electric distribution companies in the development and
199 implementation of a comprehensive plan, which plan shall be
200 approved by the Department of Public Utility Control, to implement
201 cost-effective energy conservation programs and market
202 transformation initiatives. Each program contained in the plan shall be
203 reviewed by the electric distribution company and either accepted or
204 rejected by the Energy Conservation Management Board prior to
205 submission to the department for approval. The Energy Conservation
206 Management Board shall, as part of its review, examine opportunities
207 to offer joint programs providing similar efficiency measures which
208 save more than one fuel resource or to otherwise coordinate programs
209 targeted at saving more than one fuel resource. Any costs for joint
210 programs shall be allocated equitably among the conservation
211 programs. The Energy Conservation Management Board shall give
212 preference to projects that maximize the reduction of federally
213 mandated congestion charges.

214 (2) Programs included in the plan shall be screened through cost-
215 effectiveness testing which compares the value and payback period of
216 program benefits to program costs to ensure that programs are
217 designed to obtain energy savings and system benefits, including
218 federally mandated congestion costs, whose value is greater than the
219 costs of the programs. Cost-effectiveness testing shall utilize available

220 information obtained from real-time monitoring systems to ensure
221 accurate validation and verification of energy use. Program cost-
222 effectiveness shall be reviewed annually, or otherwise as is practicable.
223 If a program is determined to fail the cost-effectiveness test as part of
224 the review process, it shall either be modified to meet the test or shall
225 be terminated. On or before March 1, 2005, and [March 1, 2006]
226 annually thereafter, the board shall provide a report to the joint
227 standing committees of the General Assembly having cognizance of
228 matters relating to energy and the environment which documents
229 expenditures and fund balances and evaluates the cost-effectiveness of
230 such programs conducted in the preceding year. Programs in the plan
231 shall not require parity between the amount of contributions to the
232 Energy Conservation and Load Management Funds by a certain rate
233 class and the programs that benefit the subject rate class.

234 (3) Programs included in the plan may include, but not be limited
235 to: (A) Conservation and load management programs, including
236 programs that benefit low-income individuals; (B) research,
237 development and commercialization of products or processes which
238 are more energy-efficient than those generally available; (C)
239 development of markets for such products and processes; (D) support
240 for energy use assessment, real-time monitoring systems, engineering
241 studies and services related to new construction or major building
242 renovation; (E) the design, manufacture, commercialization and
243 purchase of energy-efficient appliances and heating, air conditioning
244 and lighting devices; (F) program planning and evaluation; (G) indoor
245 air quality programs relating to energy conservation; (H) joint fuel
246 conservation initiatives programs targeted at saving more than one
247 fuel resource; and ~~[(H)]~~ (I) public education regarding conservation.
248 Such support may be by direct funding, manufacturers' rebates, sale
249 price and loan subsidies, leases and promotional and educational
250 activities. [Any other expenditure by the collaborative shall be limited
251 to] The plan shall also provide for expenditures by the Energy
252 Conservation Management Board for the retention of expert
253 consultants and reasonable administrative costs provided such

254 consultants shall not be employed by, or have any contractual
255 relationship with, an electric distribution company. Such costs shall
256 not exceed five per cent of the total revenue collected from the
257 assessment.

258 (e) Notwithstanding the provisions of subsections (a) to (d),
259 inclusive, of this section, the Department of Public Utility Control shall
260 authorize the disbursement of a total of one million dollars in each
261 month, commencing with July, 2003, and ending with July, 2005, from
262 the Energy Conservation and Load Management Funds established
263 pursuant to said subsections. The amount disbursed from each Energy
264 Conservation and Load Management Fund shall be proportionately
265 based on the receipts received by each fund. Such disbursements shall
266 be deposited in the General Fund.

267 Sec. 8. Section 16-245n of the general statutes is repealed and the
268 following is substituted in lieu thereof (*Effective from passage*):

269 (a) For purposes of this section, "renewable energy" means solar
270 energy, wind, ocean thermal energy, wave or tidal energy, fuel cells,
271 landfill gas, hydrogen production and hydrogen conversion
272 technologies, [and] low emission advanced biomass conversion
273 technologies, usable energy from combined heat and power systems or
274 waste heat recovery systems and other energy resources and emerging
275 technologies which have significant potential for commercialization
276 and which do not involve the combustion of coal, petroleum or
277 petroleum products, municipal solid waste or nuclear fission.

278 (b) On and after January 1, [2000] 2004, the Department of Public
279 Utility Control shall assess or cause to be assessed a charge of not less
280 than [one-half of] one mill per kilowatt hour charged to each end use
281 customer of electric services in this state which shall be deposited into
282 the Renewable Energy Investment Fund established under subsection
283 (c) of this section. [On and after July 1, 2002, such charge shall be three-
284 quarters of one mill and on and after July 1, 2004, such charge shall be
285 one mill.] On and after the effective date of this section, any legislation

286 that directs or expends the moneys in the fund established in
287 subsection (b) of this section other than for purposes specified in this
288 section shall be void. Notwithstanding the provisions of this section,
289 receipts from such charges shall be disbursed to the resources of the
290 General Fund during the period from July 1, 2003, to June 30, 2005,
291 unless the department shall, on or before October 30, 2003, issue a
292 financing order for each affected distribution company in accordance
293 with sections 16-245e to 16-245k, inclusive, to sustain funding of
294 renewable energy investment programs by substituting an equivalent
295 amount, as determined by the department in such financing order, of
296 proceeds of rate reduction bonds for disbursement to the resources of
297 the General Fund during the period from July 1, 2003, to June 30, 2005.
298 The department may authorize in such financing order the issuance of
299 rate reduction bonds that substitute for disbursement to the General
300 Fund for receipts of both charges under this subsection and subsection
301 (a) of section 16-245m, as amended by this act, and also may in its
302 discretion authorize the issuance of rate reduction bonds under this
303 subsection and subsection (a) of section 16-245m, as amended by this
304 act, that relate to more than one electric distribution company. The
305 department shall, in such financing order or other appropriate order,
306 offset any increase in the competitive transition assessment necessary
307 to pay principal, premium, if any, interest and expenses of the issuance
308 of such rate reduction bonds by making an equivalent reduction to the
309 charges imposed under this subsection, provided any failure to offset
310 all or any portion of such increase in the competitive transition
311 assessment shall not affect the need to implement the full amount of
312 such increase as required by this subsection and sections 16-245e to 16-
313 245k, inclusive. Such financing order shall also provide if the rate
314 reduction bonds are not issued, any unrecovered funds expended and
315 committed by the electric distribution companies for renewable
316 resource investment through deposits into the Renewable Energy
317 Investment Fund, provided such expenditures were approved by the
318 department following August 20, 2003, and prior to the date of
319 determination that the rate reduction bonds cannot be issued, shall be
320 recovered by the companies from their respective competitive

321 transition assessment or systems benefits charge except that such
322 expenditures shall not exceed one million dollars per month. All
323 receipts from the remaining charges imposed under this subsection,
324 after reduction of such charges to offset the increase in the competitive
325 transition assessment as provided in this subsection, shall be disbursed
326 to the Renewable Energy Investment Fund commencing as of July 1,
327 2003. Any increase in the competitive transition assessment or decrease
328 in the renewable energy investment component of an electric
329 distribution company's rates resulting from the issuance of or
330 obligations under rate reduction bonds shall be included as rate
331 adjustments on customer bills.

332 (c) There is hereby created a Renewable Energy Investment Fund
333 which shall be administered by Connecticut Innovations, Incorporated.
334 The fund may receive any amount required by law to be deposited
335 into the fund and may receive any federal funds as may become
336 available to the state for renewable energy investments. Connecticut
337 Innovations, Incorporated, may use any amount in said fund for
338 expenditures which promote investment in renewable energy sources
339 in accordance with a comprehensive plan developed by it to foster the
340 growth, development and commercialization of renewable energy
341 sources, related enterprises and stimulate demand for renewable
342 energy and deployment of renewable energy sources which serve end
343 use customers in this state. Such expenditures may include, but not be
344 limited to, grants, direct or equity investments, contracts or other
345 actions which support research, development, manufacture,
346 commercialization, deployment and installation of renewable energy
347 technologies, and actions which expand the expertise of individuals,
348 businesses and lending institutions with regard to renewable energy
349 technologies.

350 (d) The chairperson of the board of directors of Connecticut
351 Innovations, Incorporated, shall convene a Renewable Energy
352 Investments Advisory Committee to assist Connecticut Innovations,
353 Incorporated, in matters related to the Renewable Energy Investment
354 Fund, including, but not limited to, development of a comprehensive

355 plan and expenditure of funds. The advisory committee shall, in such
 356 plan, give preference to projects that maximize the reduction of
 357 federally mandated congestion charges. The advisory committee shall
 358 include not more than twelve individuals with knowledge and
 359 experience in matters related to the purpose and activities of said fund.
 360 The advisory committee shall consist of the following members: [(1)]
 361 (A) One person with expertise regarding renewable energy resources
 362 appointed by the speaker of the House of Representatives; [(2)] (B) one
 363 person representing a state or regional organization primarily
 364 concerned with environmental protection appointed by the president
 365 pro tempore of the Senate; [(3)] (C) one person with experience in
 366 business or commercial investments appointed by the majority leader
 367 of the House of Representatives; [(4)] (D) one person representing a
 368 state or regional organization primarily concerned with environmental
 369 protection appointed by the majority leader of the Senate; [(5)] (E) one
 370 person with experience in business or commercial investments
 371 appointed by the minority leader of the House of Representatives; [(6)]
 372 (F) one person with experience in business or commercial investments
 373 appointed by the minority leader of the Senate; [(7)] (G) two state
 374 officials with experience in matters relating to energy policy and one
 375 person with expertise regarding renewable energy resources
 376 appointed by the Governor; and [(8)] (H) three persons with
 377 experience in business or commercial investments appointed by the
 378 board of directors of Connecticut Innovations, Incorporated. The
 379 advisory committee shall issue annually a report to such chairperson
 380 reviewing the activities of the fund in detail and shall provide a copy
 381 of such report, in accordance with the provisions of section 11-4a, to
 382 the joint standing committee of the General Assembly having
 383 cognizance of matters relating to energy, the Department of Public
 384 Utility Control and the Office of Consumer Counsel.

385 Sec. 9. Subsection (a) of section 16-245d of the general statutes is
 386 repealed and the following is substituted in lieu thereof (*Effective*
 387 *October 1, 2005*):

388 (a) The Department of Public Utility Control shall, by regulations

389 adopted pursuant to chapter 54, develop a standard billing format that
390 enables customers to compare pricing policies and charges among
391 electric suppliers. Not later than January 1, 2005, the department shall
392 adopt regulations, in accordance with the provisions of chapter 54, to
393 provide that an electric supplier may provide direct billing and
394 collection services for electric generation services and related federally
395 mandated congestion costs that such supplier provides to its
396 customers that use a demand meter or have a maximum demand of
397 not less than [five] one hundred kilowatts and that choose to receive a
398 bill directly from such supplier. An electric company, electric
399 distribution company or electric supplier that provides direct billing of
400 the electric generation service component and related federally
401 mandated congestion costs, as the case may be, shall, in accordance
402 with the billing format developed by the department, include the
403 following information in each customer's bill, as appropriate: (1) The
404 total amount owed by the customer, which shall be itemized to show,
405 (A) the electric generation services component and any additional
406 charges imposed by the electric supplier, if applicable, (B) the electric
407 transmission and distribution charge, including all applicable taxes
408 and the systems benefits charge, as provided in section 16-245l, (C) the
409 competitive transition assessment, as provided in section 16-245g, (D)
410 federally mandated congestion costs, and (E) the conservation and
411 renewable energy charge, consisting of the conservation and load
412 management program charge, as provided in section 16-245m, as
413 amended by this act, and the renewable energy investment charge, as
414 provided in section 16-245n, as amended by this act; (2) any unpaid
415 amounts from previous bills which shall be listed separately from
416 current charges; (3) except for customers subject to a demand charge,
417 the rate and usage for the current month and each of the previous
418 twelve months in the form of a bar graph or other visual form; (4) the
419 payment due date; (5) the interest rate applicable to any unpaid
420 amount; (6) the toll-free telephone number of the electric distribution
421 company to report power losses; (7) the toll-free telephone number of
422 the Department of Public Utility Control for questions or complaints;
423 (8) the toll-free telephone number and address of the electric supplier;

424 and (9) a statement about the availability of information concerning
425 electric suppliers pursuant to section 16-245p.

426 Sec. 10. (NEW) (*Effective from passage*) Notwithstanding the
427 provisions of sections 16-245m and 16-245n of the general statutes, as
428 amended by this act, the Department of Public Utility Control shall
429 award not less than one hundred dollars and not more than two
430 hundred dollars per kilowatt of capacity of customer-side distributed
431 generation, as defined in section 16-1 of the general statutes, as
432 amended by this act, depending on the impact such generation has on
433 reducing the federally mandated congestion costs, as defined in section
434 16-1 of the general statutes, as amended by this act, from the Energy
435 Conservation and Load Management Fund and the Renewable Energy
436 Investment Fund on a pro rata basis. Not later than September 30,
437 2005, the department shall conduct a contested case proceeding, in
438 accordance with chapter 54 of the general statutes, to establish the
439 range of awards pursuant to this section.

440 Sec. 11. (NEW) (*Effective from passage*) (a) The Department of Public
441 Utility Control shall select, pursuant to a competitive bid process, one
442 or more persons to provide long term financing for customer-side
443 distributed generation, as defined in section 16-1 of the general
444 statutes, as amended by this act, and associated advanced power
445 monitoring and metering equipment. Such person may not be an
446 electric distribution company, as defined in said section 16-1, but may
447 be a generation affiliate of such company. The department may retain
448 a consultant to assist it in selecting such person or persons.

449 (b) On providing financing, the department shall give preference to
450 distributed generation and monitoring and metering projects that
451 maximize the reduction of the federally mandated congestion costs, as
452 defined in section 16-1 of the general statutes, as amended by this act.
453 Costs eligible for such financing shall include, but not be limited to, the
454 capital and ongoing operations and maintenance costs of distributed
455 generation and associated advanced power monitoring and metering
456 equipment.

457 (c) Persons receiving financing from a successful bidder pursuant to
458 this section shall enter into an agreement with an electric distribution
459 company, as defined in section 16-1 of the general statutes, as amended
460 by this act, to provide billing and collection services for the payment of
461 the principal and interest on such financing. Any costs prudently
462 incurred by the electric distribution company, as defined in said
463 section 16-1, in providing billing and collection services, including
464 costs associated with nonpayment by the customer, shall be
465 recoverable in the electric distribution company's rates as an operating
466 expense.

467 Sec. 12. (NEW) (*Effective from passage*) Not later than January 1, 2007,
468 and annually thereafter, the Department of Public Utility Control shall
469 assess the number and types of customer-side and grid-side
470 distributed generation, as defined in section 16-1 of the general
471 statutes, as amended by this act, projects financed pursuant to the
472 provisions of this act and such projects' contributions to achieving fuel
473 diversity, transmission support, and energy independence in the state.
474 Not later than January 1, 2007, and biennially thereafter, the
475 department shall collect the information in such annual reports and
476 report to the joint standing committee of the General Assembly having
477 cognizance of matters relating to energy on its findings.

478 Sec. 13. (NEW) (*Effective from passage*) The retail delivery charge for
479 transporting natural gas from a local distribution company to a
480 customer-side distributed generation unit, as defined in section 16-1 of
481 the general statutes, as amended by this act, shall be waived by a gas
482 company, as defined in section 16-1 of the general statutes, as amended
483 by this act. Such gas company shall report to the Department of Public
484 Utility Control revenue lost that is attributable to this section. The
485 department shall, to allow recovery of such revenue, adjust rates of the
486 electric company that was affected by the energy from such generation
487 unit, which recovered revenue the department shall order transferred
488 to such gas company. The department shall adopt regulations, in
489 accordance with chapter 54 of the general statutes, to implement the
490 provisions of this section.

491 Sec. 14. (NEW) (*Effective from passage*) (a) The Department of Public
492 Utility Control shall, in consultation with the Connecticut Energy
493 Advisory Board, the electric distribution companies, as defined in
494 section 16-1 of the general statutes, as amended by this act, the regional
495 independent system operator and other parties, as the department
496 deems appropriate, identify (1) the most advantageous geographic
497 area in which to install grid-side distributed generation, as defined by
498 section 16-1 of the general statutes, as amended by this act, and the
499 appropriate size, fuel source and operating features of such generation,
500 and (2) any grid-side distributed generation projects that are needed
501 primarily for grid stability or voltage support, or otherwise to improve
502 the operation and reliability of the distribution or transmission system.
503 The department shall complete such identification on or before August
504 1, 2005.

505 (b) For projects identified pursuant to subdivision (1) of subsection
506 (a) of this section, the department shall, on or before October 1, 2005,
507 develop and issue a request for proposals to solicit the construction of
508 grid-side distributed generation projects. An electric distribution
509 company may not submit proposals pursuant to this subsection.
510 Affiliates of the electric distribution company may submit proposals,
511 consistent with section 16-244h of the general statutes, regulations
512 adopted under said section 16-244h, and other requirements the
513 department may impose. The department may retain the services of a
514 third-party entity with expertise in the area of energy procurement or
515 energy project development to oversee development of the request for
516 proposals and the procurement of distributed generation power
517 purchase contracts by an electric distribution company pursuant to this
518 section. The reasonable and proper expenses for retaining such third-
519 party entity shall be reimbursed through the systems benefits charge
520 as provided in section 16-245l of the general statutes, as amended by
521 this act.

522 (c) For purposes of designing any request for proposal, each electric
523 distribution company shall, no later than sixty days after issuance of
524 the request for proposals under subsection (b) of this section, identify,

525 within the geographic area selected pursuant to subsection (a) of this
526 section, any of its real property that has characteristics suitable or
527 beneficial for use as grid-side distributed generation, and that could be
528 made available through sale or lease to the winning bidder. The
529 department may order the electric distribution company to sell, lease
530 or otherwise assign such property to an electric generator, provided
531 that the electric distribution company shall receive fair market value
532 for the conveyance of the property. Any such property conveyance
533 shall be reviewed pursuant to section 16-43 of the general statutes,
534 except that sales to nonaffiliated entities shall not be subject to any
535 requirement of public auction or public sale.

536 (d) If an electric distribution company enters into a contract to
537 purchase grid-side distributed generation power, no such contract may
538 become effective without prior approval of the department. The
539 department shall hold a hearing that shall be conducted as a contested
540 case, in accordance with the provisions of chapter 54 of the general
541 statutes, to approve, reject or modify an application for approval of a
542 grid-side distributed generation power purchase contract. No contract
543 for grid-side distributed generation power shall be approved unless
544 the department finds that approval of such contract would (1) result in
545 the lowest reasonable cost of such products and services, (2) increase
546 reliability, and (3) minimize federally mandated congestion charges to
547 the state over time. No contract approved by the department shall
548 have a term exceeding fifteen years.

549 (e) On and after January 1, 2006, an electric distribution company
550 may submit a proposal to the Department of Public Utility Control to
551 develop, own and operate grid-side distributed generation facilities at
552 locations identified in subsection (c) of this section to address projects
553 identified in subsection (a) of this section that were not the subject of a
554 proposal submitted pursuant to subsection (b) of this section. The
555 proposal shall describe how the company will use or sell the capacity
556 and power associated with the facilities. Each electric distribution
557 company may own a total capacity of no more than one hundred
558 megawatts of grid-side distributed generation. The department shall

559 hold a hearing that shall be conducted as a contested case, in
560 accordance with the provisions of chapter 54 of the general statutes, to
561 approve, reject or modify an application for approval of a grid-side
562 distributed generation power. The department may not approve such
563 a proposal unless it meets the standards in subdivisions (1), (2) and (3)
564 of subsection (d) of this section.

565 Sec. 15. (NEW) (*Effective from passage*) (a) Not later than September 1,
566 2005, each electric distribution company, as defined in section 16-1 of
567 the general statutes, as amended by this act, shall submit an
568 application to the Department of Public Utility Control to (1) on or
569 after June 1, 2006, implement mandatory daily time of use rates for
570 customers that have a maximum demand of not less than three
571 hundred fifty kilowatts, and (2) on or after June 1, 2006, offer optional
572 time of use rates for all customers. The application shall propose to
573 establish time of use rates through a procurement plan, revenue
574 neutral adjustments to delivery rates, or both.

575 (b) From March 1, 2006, until May 31, 2006, each electric distribution
576 company shall issue comparative bills to customers that have a
577 maximum demand of not less than three hundred fifty kilowatts that
578 would demonstrate at current levels of consumption the effects of the
579 mandatory time of use rates to be effective beginning June 1, 2006.

580 (c) Not later than September 1, 2006, each electric distribution
581 company shall submit an application to the Department of Public
582 Utility Control to implement mandatory seasonal rates for all
583 customers beginning June 1, 2007.

584 (d) The department shall hold a hearing that shall be conducted as a
585 contested case, in accordance with the provisions of chapter 54 of the
586 general statutes, to approve, reject or modify the application submitted
587 pursuant to subsection (a) or (c) of this section. No application for time
588 of use rates shall be approved unless (1) such rates reasonably reflect
589 the cost of service during on and off-peak periods, and (2) the costs
590 associated with implementation, the impact on customers and benefits

591 to the utility system justify implementation of such rates.

592 (e) Notwithstanding the provisions of this section, from June 1,
593 2006, until May 31, 2007, customers that use daily time of use rates
594 shall be eligible for all the incentives contained in sections 10, 11 and 13
595 of this act, and subdivision (4) of subsection (a) of section 16-245a of
596 the general statutes, as amended by this act.

597 (f) Each electric distribution company shall make available through
598 conservation and load management programs assistance to customers
599 to help manage loads and reduce peak consumption.

600 Sec. 16. (NEW) (*Effective from passage*) (a) To minimize electric
601 capacity costs, including federally mandated congestion costs, as
602 defined in section 16-1 of the general statutes, as amended by this act,
603 to the state's electric customers over time, the Department of Public
604 Utility Control may consult with the Connecticut Energy Advisory
605 Board to recommend the size, location, fuel source and operating
606 features of new electric generation. The department may, based on the
607 joint recommendation, direct an electric distribution company to
608 develop and issue a request for proposal to solicit long-term contracts
609 for electric capacity rights within the area in which the company is
610 authorized to provide service. Such a proposal should encourage
611 diversity of fuel to be used and diversity of types of generation and
612 address all capacity requirements. The department may retain the
613 services of a third-party entity with expertise in the area of energy
614 procurement to oversee the initial development of the request for
615 proposals and the procurement of long-term electric capacity contracts
616 by an electric distribution company and an electric generation
617 company pursuant to this section. The reasonable and proper expenses
618 for retaining such third-party entity shall be reimbursed through the
619 systems benefits charge as provided in section 16-245l of the general
620 statutes, as amended by this act.

621 (b) No long-term contract for electric capacity rights entered into by
622 an electric distribution company or electric generation company may

623 become effective without prior approval of the department. The
624 department shall hold a hearing that shall be conducted as a contested
625 case, in accordance with the provisions of chapter 54 of the general
626 statutes, to approve, reject or modify an application for approval of a
627 long-term electric capacity contract. No contract for long-term electric
628 capacity shall be approved unless the department finds that approval
629 of such contract would (1) increase reliability, and (2) minimize electric
630 capacity costs to the state over time. No contract approved by
631 department shall have a term exceeding fifteen years.

632 (c) Any request for a proposal issued pursuant to this section or a
633 contract entered into pursuant to this section shall include provisions
634 for the transfer of exclusive rights to electric generation capacity to the
635 electric distribution company. The electric distribution company shall
636 either sell into the capacity markets all electric capacity rights
637 transferred pursuant to this section and use all proceeds from such
638 sales to offset federally mandated congestion charges incurred by all
639 customers, or shall retain such electric capacity rights to offset electric
640 capacity costs associated with transitional standard offer or standard
641 service.

642 (d) The costs associated with the long-term electric capacity
643 contracts, including costs associated with the retention of the third-
644 party entity pursuant to subsection (a) of this section, shall be
645 recovered through federally mandated congestion charges.

646 Sec. 17. (NEW) (*Effective from passage*) (a) To minimize supplemental
647 power requirement costs, where customer's distributed generation
648 capacity is less than the customer's maximum load requirements,
649 participating customer's distributed generation systems implemented
650 after July 1, 2006, shall not be required to pay back-up power demand
651 costs if customer's distributed generation resources are reasonably
652 available to support system-wide capacity requirements.

653 (b) The costs associated with recovering supplemental power
654 requirements pursuant to subsection (a) of this section shall be

655 recoverable by the electrical distribution companies.

656 Sec. 18. (NEW) (*Effective from passage*) An electric distribution
657 company may recover its costs and investments that have been
658 prudently incurred under the provisions of this act. The Department of
659 Public Utility Control shall, after a hearing held pursuant to the
660 provisions of chapter 54 of the general statutes, determine the
661 appropriate mechanism for such recovery which may be one or more
662 of the following: Approval of rates as provided in section 16-19 of the
663 general statutes, the energy adjustment clause as provided in section
664 16-19b of the general statutes or the systems benefits charge as
665 provided in section 16-245l of the general statutes, as amended by this
666 act. Earnings of such distribution companies that are adversely due to
667 decreased energy use attributable to implementation of the provisions
668 of this act are recoverable pursuant to the provisions of section 16-19kk
669 of the general statutes, as amended by this act.

670 Sec. 19. (NEW) (*Effective from passage*) (a) On and after January 1,
671 2007, an electric generation company and an electric distribution
672 company providing standard service pursuant to section 16-244c of the
673 general statutes shall demonstrate to the satisfaction of the Department
674 of Public Utility Control that not less than one per cent of the total
675 output or services of such supplier or distribution company shall be
676 generated from conservation and customer-side distributed
677 generation. On and after January 1, 2008, not less than two per cent of
678 the total output or services of any such supplier or distribution
679 company shall, on demonstration satisfactory to the Department of
680 Public Utility Control, be generated from conservation and customer-
681 side distributed generation. On and after January 1, 2010, not less than
682 four per cent of the total output or services of any such supplier or
683 distribution company shall, on demonstration satisfactory to the
684 Department of Public Utility Control, be generated from conservation
685 and customer-side distributed generation. Electric power obtained
686 from customer-side distributed generation that does not meet air
687 quality standards of the Department of Environmental Protection is
688 not eligible for purposes of meeting the percentage standards in this

689 section.

690 (b) The Department of Public Utility Control shall assess each
691 electric generation company and each electric distribution company
692 that fails to meet the percentage standards of subsection (a) of this
693 section a charge of five and five-tenths cents for each kilowatt hour of
694 electricity that such supplier or company is deficient in meeting such
695 percentage standards. Fifty per cent of such assessed charges shall be
696 deposited in the Energy Conservation and Load Management Fund
697 established in section 16-245m of the general statutes, as amended by
698 this act, and fifty per cent in the Renewable Energy Investment Fund
699 established in section 16-245n of the general statutes, as amended by
700 this act.

701 (c) An electric generation company or electric distribution company
702 may satisfy the requirements of this section by participating in a
703 renewable energy trading program approved by the Department of
704 Public Utility Control. Credits created by conservation and customer-
705 side distributed generation shall be credited in the following manner:
706 Ten per cent to the person that conserved the energy or installed the
707 grid-side distributed generation facility to which the energy credit is
708 attributable and ninety per cent to the Energy Conservation and Load
709 Management Fund to be used for demand response programs and
710 peak reduction programs.

711 Sec. 20. (NEW) (*Effective from passage*) On and after the effective date
712 of this section, each municipal electric company, annually, shall spend
713 no less than three per cent of its yearly gross revenue on cost-effective
714 energy conservation and load management programs.

715 Sec. 21. Subsection (a) of section 16-50k of the general statutes is
716 repealed and the following is substituted in lieu thereof (*Effective from*
717 *passage*):

718 (a) Except as provided in subsection (b) of section 16-50z, no person
719 shall exercise any right of eminent domain in contemplation of,
720 commence the preparation of the site for, or commence the

721 construction or supplying of a facility, or commence any modification
722 of a facility, that may, as determined by the council, have a substantial
723 adverse environmental effect in the state without having first obtained
724 a certificate of environmental compatibility and public need,
725 hereinafter referred to as a "certificate", issued with respect to such
726 facility or modification by the council, except fuel cells with a
727 generating capacity of ten kilowatts or less which shall not require
728 such certificate. Any facility with respect to which a certificate is
729 required shall thereafter be built, maintained and operated in
730 conformity with such certificate and any terms, limitations or
731 conditions contained therein. Notwithstanding the provisions of this
732 chapter or title 16a, the council shall, in the exercise of its jurisdiction
733 over the siting of generating facilities, approve by declaratory ruling
734 (1) the construction of a facility solely for the purpose of generating
735 electricity, other than an electric generating facility that uses nuclear
736 materials or coal as fuel, at a site where an electric generating facility
737 operated prior to July 1, 1998, (2) the construction or location of any
738 fuel cell, unless the council finds a substantial adverse environmental
739 effect, or any customer-side distributed generation facility with a
740 capacity of not more than twenty-five megawatts, so long as such
741 facility meets air quality standards of the Department of
742 Environmental Protection, and (3) the siting of temporary generation
743 solicited by the Department of Public Utility Control pursuant to
744 section 16-19ss.

745 Sec. 22. (NEW) (*Effective from passage*) The provisions of sections 16-
746 1, 16-19ss, 16-244e, 16-245l, 16-245m and 16-245n of the general
747 statutes, as amended by this act, sections 10 to 20, inclusive, of this act
748 and section 16-50k of the general statutes, as amended by this act,
749 apply to customer-side distributed generation and grid-side
750 distributed generation developed on and after the effective date of this
751 section and in accordance with the provisions of this act.

752 Sec. 23. Subsection (i) of section 16-19b of the general statutes is
753 repealed and the following is substituted in lieu thereof (*Effective July*
754 *1, 2005*):

755 (i) Any purchased gas adjustment clause or energy adjustment
 756 clause approved by the department may include a provision designed
 757 to allow the electric or gas company to charge or reimburse the
 758 customer for any under-recovery or over-recovery of overhead and
 759 fixed costs due solely to the deviation of actual retail sales of electricity
 760 or gas from projected retail sales of electricity or gas. The department
 761 shall include such provision in any energy adjustment clause approved
 762 for an electric company if it determines (1) that a significant cause of
 763 excess earnings by the electric company is an increase in actual retail
 764 sales of electricity over projected retail sales of electricity as
 765 determined at the time of the electric company's most recent rate
 766 amendment, and (2) that such provision is likely to benefit the
 767 customers of the electric company. The department shall include such
 768 provision in any purchased gas adjustment clause approved for a gas
 769 company on or after January 1, 2006.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	16-1(a)
Sec. 2	<i>from passage</i>	16-1(a)(40)
Sec. 3	<i>from passage</i>	16-1(a)
Sec. 4	<i>from passage</i>	16-19ss(d)
Sec. 5	<i>from passage</i>	16-244e(e)(6)
Sec. 6	<i>from passage</i>	16-245l(a)
Sec. 7	<i>from passage</i>	16-245m
Sec. 8	<i>from passage</i>	16-245n
Sec. 9	<i>October 1, 2005</i>	16-245d(a)
Sec. 10	<i>from passage</i>	New section
Sec. 11	<i>from passage</i>	New section
Sec. 12	<i>from passage</i>	New section
Sec. 13	<i>from passage</i>	New section
Sec. 14	<i>from passage</i>	New section
Sec. 15	<i>from passage</i>	New section
Sec. 16	<i>from passage</i>	New section
Sec. 17	<i>from passage</i>	New section
Sec. 18	<i>from passage</i>	New section
Sec. 19	<i>from passage</i>	New section

Sec. 20	<i>from passage</i>	New section
Sec. 21	<i>from passage</i>	16-50k(a)
Sec. 22	<i>from passage</i>	New section
Sec. 23	<i>July 1, 2005</i>	16-19b(i)

ET *Joint Favorable Subst.*

ENV *Joint Favorable*

FIN *Joint Favorable*

PD *Joint Favorable*

APP *Joint Favorable*